

Service Date: April 19, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF the Application)	
of U S WEST COMMUNICATIONS, INC.,)	UTILITY DIVISION
for the Addition of Six New Custom)	DOCKET NO. 89.9.29
Calling Features)	INTERIM ORDER NO. 5467
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FINDINGS OF FACT

On September 5, 1989, U S West Communications (USWC or Company) filed tariffs requesting six new custom calling services.

In its filing, the Company indicates that these new services are intended for use by Enhanced Service Providers (ESPs), but can also be used by residence customers as well as other businesses. Additionally, these six new services are considered to be in the class of services called Open Network Architecture (ONA). These services are identified as Basic Service Elements in USWC's ONA plans filed with the Federal Communications Commission.

USWC indicates that the proposed prices for ONA services are based on market value with additional considerations taken into account. The additional considerations include making sure that the resulting prices are: 1) above long-run incremental cost, 2) will return a reasonable profit, 3) stimulate demand, 4) minimize tariff shopping, and 5) are non-discriminatory.

The Company indicates that ONA is highly dependant upon its modernization efforts. USWC states that its modernization

efforts involve upgrading electromechanical offices to digital technology, which will position USWC to provide ONA and ISDN services as the offices are converted. The Company also states that it considers ONA and ISDN capabilities to be a "by-product" of modernization, meaning that the provision of ISDN and ONA services does not increase the cost of modernization. USWC argues that modernization of Montana offices would take place regardless of ONA and ISDN capabilities.

USWC indicates that a standard procedure for the receipt and evaluation of requests for additional ONA services has been in place since 1988. Once a request for service is received, the Company has 120 days to respond to the request. The request is evaluated using the following criteria:

- Is the service necessary to provide an enhanced service?
- Does sufficient market demand exist to justify the provision of the service?
- Is the service technologically feasible?
- The price of the service must recover the cost of the technology deployed to offer the capability.

Additionally, USWC indicates that affiliated and non-affiliated requests for new services are evaluated using the same criteria, and that there will be no cost advantage to collocated facilities.

USWC states that it believes the provision of ONA should not impact the cost of local service. However, the Company also points out that it should not be an objective of ONA to subsidize local exchange service.

The cost model used by USWC to calculate the long-run incremental costs of the ONA services requested in this proceeding

are established using the Switching Cost Information System (SCIS) model.

The Commission notes that it has not accepted USWC's SCIS costing model in the context of a general rate case. Therefore, the Commission approves USWC's tariff filing, as filed, on an interim basis until the cost of service studies filed in support of this filing can be examined more thoroughly in USWC's next general rate case.

By granting interim approval herein, the Commission is expressing no opinion on USWC's "market based" pricing approach (paragraph 2 above) or the "subsidization" issue (paragraph 5 above). These are important public policy issues which must await further analysis of USWC's cost studies and evidentiary development in the next general rate case.

CONCLUSIONS OF LAW

USWC furnishes regulated telecommunications service within the State of Montana and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission pursuant to Section 69-3-101, MCA. The Commission has authority to supervise, regulate, and control public utilities. Section 69-3-102, MCA.

The Commission has provided adequate public notice and an opportunity to be heard herein, pursuant to the Montana

Administrative Procedure Act and Title 69 of the Montana Code Annotated.

The Commission may approve this filing on an interim basis, with all amounts collected by USWC subject to rebate or surcharge, together with interest, retroactive to the date of interim approval. Section 69-3-304, MCA.

The tariff approved herein contains regulations, rates, and charges which are just and reasonable. Section 69-3-201, MCA.

ORDER

USWC's application for approval of the following six ONA/Custom Calling Services is hereby APPROVED on an interim basis:

- a. Call Forwarding - Busy Line
- b. Call Forwarding - Don't Answer
- c. Call Forwarding - Busy Line/Don't Answer
- d. Abbreviated Access
- e. Call Transfer
- f. Hot Line

This order shall be effective immediately.

This docket shall be consolidated into the next USWC general rate case.

DONE IN OPEN SESSION at Helena, Montana, this 27th day of March, 1990, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.